

HYRUM CITY CORPORATION

FINANCIAL REPORT

JUNE 30, 2012

HYRUM CITY CORPORATION
FINANCIAL REPORT
JUNE 30, 2012

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	10
Statement of Activities	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds	12
Balance Sheet Reconciliation to Statement of Net Assets	13
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statements of Revenues, Expenditures and Changes in Fund Balance - General Fund - Budget and Actual	16
Statement of Net Assets - Proprietary Funds	17-18
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	19
Statement of Cash Flows - Proprietary Funds	20
Statement of Net Assets - Fiduciary Funds	21
Notes to Financial Statements	22-41

INDEPENDENT AUDITOR'S REPORT

To the Mayor and City Council Members
Hyrum City Corporation
Hyrum City, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Hyrum City Corporation, Utah (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison of the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2012, on our consideration of Hyrum City Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Wiggin's & Co., P.C.

Brigham City, Utah
November 29, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Hyrum City, we offer this narrative overview and analysis of the financial activities of the City for the fiscal year ending June 30, 2012. The General Fund includes government-type activities such as administration, fire and first responder services, police protection, roads, parks, senior citizen center, library, etc. The Enterprise Funds comprise utilities of water, sewer, electric, pressurized irrigation and storm water. Questions concerning any information provided in this report or request for additional information should be addressed to: Hyrum City Corporation 83 West Main, Hyrum, Utah 84319.

FINANCIAL HIGHLIGHTS

- The total net assets of Hyrum City increased by \$1,248,695 totaling \$31,835,008. The governmental net assets decreased by \$77,857 and the business-type net assets increased by \$1,326,552.
- The total net assets of governmental and business-type activities is \$31,835,008, and is made up of \$23,860,997 in capital assets, such as land, infrastructure and equipment, and \$7,974,011 in other net assets. The \$7,974,011 in other net assets is made up of \$329,899, which is restricted for capital projects; \$492,067 is restricted for debt service items related to the library, sewer system and water project; \$176,004 is restricted for impact fees; and the remaining \$6,971,641 is unrestricted.
- Total long-term liabilities for the City decreased by \$416,917. The long-term debt for governmental activities decreased by \$82,608. The business-type activities long-term debt decreased by \$334,309.

REPORTING THE CITY AS A WHOLE

This discussion and analysis is intended to serve as an introduction to Hyrum City's basic financial statements. Hyrum City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of Hyrum City's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of Hyrum City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Hyrum City is improving or deteriorating. However, other non-financial factors will also need to be considered.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. Regardless of the timing of related cash flows, changes in net assets are reported as soon as the underlying event occurs that gives rise to the change. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received.

Both of the government-wide financial statements distinguish functions of Hyrum City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements can be found on pages 10-11 of this report.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Hyrum City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds** – These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The City reports two governmental funds as major funds (as determined by generally accepted accounting principles) in the fund financial statements. The two major funds reported are the General Fund and the Debt Service Fund. The remaining two governmental funds are determined to be non major and are aggregated in this report as such.

- **Proprietary funds** – Hyrum City maintains five types of proprietary funds, the enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Hyrum City uses enterprise funds to account for Culinary Water, Sewer, Electric, Pressurized Irrigation and Storm Water. As determined by generally accepted accounting principles, all of these utility funds meet the criteria for major fund classification, except Storm Water, which is included as a non-major fund.
- **Fiduciary funds** – These funds are used to account for resources held for the benefit of parties outside the city. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting method used for these funds is much like that used for proprietary funds.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Hyrum City, assets exceeded liabilities by \$31,835,008, at June 30, 2012.

By far the largest portion of Hyrum City's net assets (75%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of the net assets of the City is as follows:

	<u>2012</u>	<u>2011</u>	<u>Total Changes</u>
Governmental activities:			
Current and other assets	\$ 1,886,960	\$ 2,163,692	\$ 276,732
Capital Assets	<u>10,034,766</u>	<u>9,887,773</u>	<u>146,993</u>
Total Assets	<u>11,921,726</u>	<u>12,077,307</u>	<u>423,725</u>
Current and other liabilities	867,842	834,116	33,726
Long-term liabilities	<u>1,597,171</u>	<u>1,682,779</u>	<u>(85,608)</u>
	<u>2,465,013</u>	<u>2,516,895</u>	<u>(51,882)</u>
Net assets:			
Investment in capital assets, net of related debt	8,582,766	8,358,773	223,993
Restricted	450,650	488,114	(37,464)
Unrestricted	<u>423,297</u>	<u>687,683</u>	<u>(264,386)</u>
Total net assets	<u>\$ 9,456,713</u>	<u>\$ 9,534,570</u>	<u>\$ (77,857)</u>
Business-type activities:			
Current and other assets	\$ 7,967,297	\$ 7,891,820	\$ 75,477
Capital Assets	<u>19,973,231</u>	<u>19,570,995</u>	<u>402,236</u>
Total Assets	<u>27,940,528</u>	<u>27,462,815</u>	<u>477,713</u>
Current and other liabilities	998,846	1,461,376	(462,530)
Long-term liabilities	<u>4,563,387</u>	<u>4,949,696</u>	<u>(386,309)</u>
Total Liabilities	<u>5,562,233</u>	<u>6,411,072</u>	<u>(848,839)</u>
Net assets:			
Investment in capital assets, net of related debt	15,278,231	16,021,995	(743,764)
Restricted	581,720	3,178,169	(2,596,449)
Unrestricted	<u>6,518,344</u>	<u>1,851,579</u>	<u>4,666,765</u>
Total net assets	<u>\$ 22,378,295</u>	<u>\$ 21,051,743</u>	<u>\$ 1,326,552</u>

The City's total net assets increased by \$1,248,695 as summarized below:

Governmental Activities:

	2012	2011	Total Changes
Revenues:			
Program revenues:			
Charges for service	\$ 910,285	\$ 913,570	\$ (3,285)
Operating grants	73,957	98,696	(24,739)
Capital grants and Contributions	362,372	568,069	(205,697)
General revenues:			
Property taxes	478,109	480,870	(2,761)
Sales Tax	795,606	818,672	(23,066)
Energy taxes	363,901	375,993	(12,092)
Franchise taxes	36,752	37,928	(1,176)
Unrestricted investment earnings	5,644	7,417	(1,773)
Gain on sale of fixed assets			
Total revenues	<u>3,026,626</u>	<u>3,301,215</u>	<u>(274,589)</u>
Expenses:			
Legislative	35,917	36,473	(556)
Judicial	76,076	73,879	2,197
Administration	291,687	320,025	(28,338)
Other general government	52,264	52,513	(249)
Public safety	402,384	454,757	(52,373)
Highways and streets	548,975	620,378	(71,403)
Sanitation	513,715	505,165	8,550
Planning, zoning and engineering	94,544	108,248	(13,704)
Culture, parks and recreation	939,064	964,183	(25,119)
Shop	35,886	44,306	(8,420)
Senior citizens	99,310	101,879	(2,569)
Cemetery	53,804	49,791	4,013
Community progress	24,857	29,188	(4,331)
Total expenses	<u>3,168,483</u>	<u>3,360,785</u>	<u>(192,302)</u>
Net revenues over expenses	<u>(141,857)</u>	<u>(59,570)</u>	<u>(82,287)</u>
Transfers	64,000	232,000	(168,000)
Changes in net assets	<u>\$ (77,857)</u>	<u>\$172,430</u>	<u>\$ (250,287)</u>

Business-type activities:

	2012	2011	Total Changes
Revenues:			
Program revenues:			
Charges for services	\$8,380,571	\$8,536,026	\$ (155,455)
Operating grants and			
Capital grants and contributions	140,229	338,299	(198,070)
General revenues:			
Unrestricted investment earnings	44,768	47,932	(3,164)
Gain on sale of fixed assets	74,726	-	74,726
Total revenues	<u>\$8,640,294</u>	<u>\$8,922,257</u>	<u>\$ (281,963)</u>

Expenses:			
Water	\$ 785,561	\$ 812,932	\$ (27,371)
Sewer	1,119,452	1,140,877	(21,425)
Electric	4,931,544	5,251,335	(319,791)
Pressurized irrigation	360,382	385,618	(25,236)
Storm Water	52,803	68,264	(15,461)
Total expenses	<u>7,249,742</u>	<u>7,659,026</u>	<u>(409,284)</u>
Net revenues over expenses	1,390,552	1,263,231	127,321
Transfers	<u>(64,000)</u>	<u>(232,000)</u>	<u>168,000</u>
Change in net assets	<u>\$1,326,552</u>	<u>\$1,031,231</u>	<u>\$ 295,321</u>

The decrease in revenues was in large part from less grant money and Ruby Pipeline leaving the area. 2011 was an exceptional year with many additional moneys coming in from sales tax in large part from Ruby Pipeline and major funding from grants. In 2012 the City received grants from the recreation, art, parks and zoo grants from Cache County grants for (\$40,000) for the new Rodeo Arena and (\$60,000) in the Electric fund for the Canyon Restrooms. Other money includes Class C road money (\$257,919), County Fire grant for (\$15,116), and State of Utah safety sidewalk grant (\$14,729). Contributions include (\$17,293) from the Senior Citizens Center and (\$11,817) from the Library along with other smaller grants and contributions totaling (\$576,558) compared with (\$1,005,064) in 2011.

The City continues to invest in infrastructure facilities such as roads, sidewalks, and parks. The decrease in expenditures is mainly due to less revenue coming in so fewer projects being worked on. The major cost come in the form of park facility cost, road maintenance and construction cost. The City has taken every advantage of low interest rates and low construction cost; finishing major projects and refinancing some of the City's long term debt.

FINANCIAL ANALYSIS OF GOVERNMENTS'S FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

As of June 30, 2012, the City's governments funds (General, Special Revenue, Capital Projects & Debt Services) reported combined fund balances of \$1,070,916. This represents a decrease of \$305,367 from last year's ending balances.

The general fund is the chief operating fund of the City. All activities which are not required to be accounted for in separate funds either by state of local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 57% of total general fund revenues. The largest element of taxes is sales tax, representing 48% of total tax revenue and 27% of total general fund revenues.

As stated earlier, the City maintains several enterprise funds to account for business-type activities of the City. The separate fund statements included in this report provide the same information for business-type activities as is provided in the government-wide financial statements. However, the fund statements provide much more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal 2011-12 the General Fund original budget was amended from \$3,035,050 to \$2,999,450. These decreases were made to adjust for revenue and expenditure changes.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – Hyrum City's investment in capital assets for its governmental and business-type activities as of June 30, 2012, amounts to \$60,496,214. Accumulated depreciation on capital assets was \$30,488,219. Net capital assets amounted to \$30,007,995 at June 30, 2012. The investment in capital assets includes land, buildings, improvements, infrastructure (roads, sidewalks, curb and gutter, etc.) and machinery and equipment. The total increase in the City's investment in capital assets during 2012 was \$549,227. Depreciation expense for 2012 was \$1,941,319 with \$760,375 recorded in governmental activities and \$1,180,944 recorded in business-type activities.

Major capital asset events during this fiscal year include the following:

- 2 Million gallon water Tank (\$ 2,032,143)
- Water Reuse (\$ 995,010)
- 100 West (100 North-100 South) water line upgrade (\$197,868)
- 600 East (100 North-City Limits)Overlays(\$ 133,544)
- Rodeo Arena (\$ 132,645)
- Hawn's Lounge (\$ 132,514)
- John Deer Loader (\$ 108,538)
- Bucket Truck (\$ 92,117)
- Backhoe (\$ 86,956)
- Little Bear Flooding Improvement (\$ 69,728)
- Canyon restroom (\$ 64,208)
- SCADA Upgrade (\$ 49,524)

HYRUM CITY'S CAPITAL ASSETS

	2012	2011	Total Changes
Governmental activities:			
Land	\$ 912,194	\$ 912,194	\$ -
Buildings	6,133,153	6,133,153	-
Improvements	1,717,259	1,565,654	151,605
Infrastructure	7,988,740	7,675,400	313,340
Machinery & Equipment	2,343,841	2,214,119	129,722
Construction in progress	501,320	188,619	312,701
	19,596,507	18,689,139	907,368
Less: Accumulated Depreciation	(9,561,741)	(8,801,366)	(760,375)
	<u>\$10,034,766</u>	<u>\$ 9,887,773</u>	<u>\$ 146,993</u>

Business-type activities:

Land	\$ 1,715,438	\$ 1,715,438	\$ -
Water Shares	2,136,608	2,136,608	-
Payson power entitlement	101,112	101,112	-
Buildings	9,341,966	8,149,235	1,192,731
Improvements	23,700,721	21,297,949	2,402,772
Machinery & Equipment	2,454,712	2,390,218	64,494
Construction in progress	1,449,150	3,636,017	(2,186,867)
	<u>40,899,707</u>	<u>39,426,577</u>	<u>1,473,130</u>
Less: Accumulated Depreciation	<u>(20,926,478)</u>	<u>(19,855,582)</u>	<u>(1,070,896)</u>
	<u>\$19,973,229</u>	<u>\$19,570,995</u>	<u>\$ 402,234</u>

Additional information on the City's capital assets can be found in the footnotes to this financial report.

Long-term debt – As of June 30, 2012, the City had total outstanding debt of \$6,630,558.

HYRUM CITY'S OUTSTANDING DEBT

	<u>2012</u>	<u>2011</u>	<u>Total Changes</u>
Governmental activities:			
Compensated absences	\$ 225,171	\$ 230,779	\$ (5,608)
Sales Tax Revenue Bonds Payable	<u>1,452,000</u>	<u>1,529,000</u>	<u>(77,000)</u>
	<u>\$1,677,171</u>	<u>\$1,759,779</u>	<u>\$ (82,608)</u>
Business-type activities:			
Compensated absences	\$ 258,387	\$ 300,696	\$ (42,309)
Electric Note Payable	45,000	-	45,000
Sewer Revenue Bonds Payable	3,292,000	3,549,000	(257,000)
Water Revenue Bonds Payable	<u>1,358,000</u>	<u>1,438,000</u>	<u>(80,000)</u>
	<u>\$4,953,387</u>	<u>\$5,287,696</u>	<u>\$ (334,309)</u>
Total Long-term Debt	\$6,630,558	\$7,047,475	\$ (416,917)

Additional information on the outstanding debt obligations of the City can be found in the footnotes to this report.

The financial report is available for review and inspection at the Hyrum City offices located at: 83 West Main, Hyrum UT 84319.

HYRUM CITY CORPORATION
STATEMENT OF NET ASSETS
JUNE 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 1,199,703	\$ 6,044,526	\$ 7,244,229	\$ 30,342
Receivables:				
Taxes	406,425	-	406,425	-
Accounts	142,546	937,456	1,080,002	-
Intergovernmental	49,849	-	49,849	-
Restricted cash and cash equivalents	30,050	581,720	611,770	-
Inventory	-	336,509	336,509	-
Prepaid expenses	27,762	5,250	33,012	-
Deferred charges: bond issuance costs	30,625	61,836	92,461	-
Capital assets (net of accumulated depreciation):				
Land and easements	912,194	1,715,439	2,627,633	-
Water stock and rights	-	2,136,608	2,136,608	-
Buildings	3,366,635	4,910,173	8,276,808	-
Improvements	571,165	8,825,069	9,396,234	-
Machinery and equipment	695,736	835,680	1,531,416	-
Infrastructure	3,987,716	-	3,987,716	-
Payson electric entitlement	-	101,112	101,112	-
Construction in progress	501,320	1,449,150	1,950,470	-
Total Assets	11,921,726	27,940,528	39,862,254	30,342
LIABILITIES				
Accounts payable	205,740	406,608	612,348	-
Deposits and retainage payable	184,779	174,963	359,742	-
Deferred revenue	394,900	-	394,900	-
Accrued interest payable	2,423	27,275	29,698	-
Compensated absences	225,171	258,387	483,558	-
Noncurrent liabilities - due within one year	80,000	390,000	470,000	-
Noncurrent liabilities - due in more than one year	1,372,000	4,305,000	5,677,000	-
Total Liabilities	2,465,013	5,562,233	8,027,246	-
NET ASSETS				
Investment in capital assets, net of debt	8,582,766	15,278,231	23,860,997	-
Restricted for:				
Impact fees	29,990	146,014	176,004	-
Debt service	56,361	435,706	492,067	-
Construction	-	-	-	-
Capital projects	329,899	-	329,899	-
Nonmajor special revenue funds	34,400	-	34,400	-
Unrestricted	423,297	6,518,344	6,941,641	30,342
Total Net Assets	\$ 9,456,713	\$ 22,378,295	\$ 31,835,008	\$ 30,342

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF ACTIVITIES
JUNE 30, 2012

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
PRIMARY GOVERNMENT								
Governmental activities:								
Legislative	35,917	\$ -	\$ -	\$ -	\$ (35,917)	\$ -	\$ (35,917)	\$ -
Judicial	76,076	99,805	300	-	24,029	-	24,029	-
Administration	291,687	87,504	-	-	(204,183)	-	(204,183)	-
Other general government	52,264	-	-	-	(52,264)	-	(52,264)	-
Public safety	402,384	70,097	38,687	2,687	(290,913)	-	(290,913)	-
Highways and streets	548,975	-	-	281,996	(266,979)	-	(266,979)	-
Sanitation	513,715	559,128	-	-	45,413	-	45,413	-
Planning, zoning and engineering	94,544	11,591	-	-	(82,953)	-	(82,953)	-
Culture, parks and recreation	939,064	58,540	34,970	77,689	(767,865)	-	(767,865)	-
Shop	35,886	-	-	-	(35,886)	-	(35,886)	-
Senior citizens	99,310	-	-	-	(99,310)	-	(99,310)	-
Cemetery	53,804	22,080	-	-	(31,724)	-	(31,724)	-
Community progress	24,857	1,540	-	-	(23,317)	-	(23,317)	-
Total governmental activities	3,168,483	910,285	73,957	362,372	(1,821,869)	-	(1,821,869)	-
Business-type activities:								
Water	785,561	886,042	-	39,952	-	140,433	140,433	-
Sewer	1,119,452	1,248,004	-	26,283	-	154,835	154,835	-
Electric	4,931,544	5,862,604	-	60,000	-	991,060	991,060	-
Irrigation	360,382	265,514	-	13,994	-	(80,874)	(80,874)	-
Storm Water	52,803	118,407	-	-	-	65,604	65,604	-
Total business-type activities	7,249,742	8,380,571	-	140,229	-	1,271,058	1,271,058	-
Total primary government	\$ 10,418,225	\$ 9,290,856	\$ 73,957	\$ 502,601	(1,821,869)	1,271,058	(550,811)	-
COMPONENT UNIT								
Hyrum Library & Museum	\$ -	\$ -	\$ -	\$ -				-
General revenues								
Property taxes					478,109	-	478,109	-
Sales taxes					795,606	-	795,606	-
Energy tax					363,901	-	363,901	-
Franchise tax					36,752	-	36,752	-
Grants and contributions not restricted to specific programs					-	-	-	-
Unrestricted investment earnings					5,644	44,768	50,412	44
Gain on sale of capital assets					-	74,726	74,726	-
Transfers					64,000	(64,000)	-	-
Total general revenues and transfers					1,744,012	55,494	1,799,506	44
Change in net assets					(77,857)	1,326,552	1,248,695	44
Net assets - beginning					9,534,570	21,051,743	30,586,313	30,298
Net assets - ending					\$ 9,456,713	\$ 22,378,295	\$ 31,835,008	\$ 30,342

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	General	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 773,020	56,301	\$ 370,382	\$ 1,199,703
Receivables:				
Taxes	406,425	-	-	406,425
Accounts	142,546	-	-	142,546
Intergovernmental	49,849	-	-	49,849
Prepaid expenses	27,762	-	-	27,762
Restricted cash and cash equivalents	-	60	29,990	30,050
Restricted investments	-	-	-	-
Total assets	<u>\$ 1,399,602</u>	<u>\$ 56,361</u>	<u>\$ 400,372</u>	<u>\$ 1,856,335</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 169,667	\$ -	\$ 36,073	\$ 205,740
Due to other funds	-	-	-	-
Accrued payroll liabilities	-	-	-	-
Contracts and deposits payable	184,779	-	-	184,779
Deferred revenue	394,900	-	-	394,900
Total liabilities	<u>749,346</u>	<u>-</u>	<u>36,073</u>	<u>785,419</u>
Fund balances				
Restricted:				
Impact fees	-	-	29,990	29,990
Debt service	-	56,361	-	56,361
Committed:				
Library projects	-	-	34,400	34,400
Capital projects	-	-	299,909	299,909
Assigned:				
First responders	24,079	-	-	24,079
Fire department	122,094	-	-	122,094
Elite Hall	2,849	-	-	2,849
Night out against crime	1,351	-	-	1,351
Unassigned	499,883	-	-	499,883
Total fund balances	<u>650,256</u>	<u>56,361</u>	<u>364,299</u>	<u>1,070,916</u>
Total liabilities and fund balances	<u>\$ 1,399,602</u>	<u>\$ 56,361</u>	<u>\$ 400,372</u>	<u>\$ 1,856,335</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
RECONCILIATION OF THE BALANCE SHEET-
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2012

Total fund balances-governmental funds \$ 1,070,916

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. These assets consist of:

Land	\$ 912,194	
Buildings	6,133,153	
Improvements	1,717,259	
Machinery and equipment	2,343,841	
Infrastructure	7,988,740	
Construction in progress	501,320	
Accumulated depreciation	<u>(9,561,741)</u>	
Total capital assets		10,034,766

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable	\$ (1,452,000)	
Accrued interest payable	(2,423)	
Compensated absences	<u>(225,171)</u>	
Total liabilities		(1,679,594)

Bond issue costs are reported as expenditures in the governmental funds.

The cost is \$35,000 and the accumulated amortization is \$4,375.

	<u>30,625</u>
Total net assets-governmental funds	<u>\$ 9,456,713</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	General	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 478,109	\$ -	\$ -	\$ 478,109
Sales	795,606	-	-	795,606
Energy	363,901	-	-	363,901
Franchise	36,752	-	-	36,752
Licenses and permits	27,575	-	-	27,575
Intergovernmental	354,322	-	5,560	359,882
Charges for services	755,917	-	12,000	767,917
Fines	104,125	-	-	104,125
Miscellaneous	10,668	-	-	10,668
Contributions	17,593	-	11,817	29,410
Investment earnings	5,655	-	(11)	5,644
Total revenues	<u>2,950,223</u>	<u>-</u>	<u>29,366</u>	<u>2,979,589</u>
EXPENDITURES				
Current:				
Legislative	35,917	-	-	35,917
Judicial	76,076	-	-	76,076
Administration	229,486	-	-	229,486
Other general government	52,264	-	-	52,264
Public safety	408,485	-	-	408,485
Highways and streets	630,594	-	-	630,594
Sanitation	513,715	-	-	513,715
Planning, zoning and engineering	94,544	-	-	94,544
Culture, parks and recreation	675,103	-	309,381	984,484
Shop	35,886	-	-	35,886
Senior citizens	79,958	-	-	79,958
Cemetery	60,992	-	-	60,992
Community progress	54,504	-	-	54,504
Debt Service:				
Principal	-	77,000	-	77,000
Interest and fiscal charges	-	62,088	-	62,088
Total expenditures	<u>2,947,524</u>	<u>139,088</u>	<u>309,381</u>	<u>3,395,993</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,699</u>	<u>(139,088)</u>	<u>(280,015)</u>	<u>(416,404)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	64,000	158,400	461,600	684,000
Transfers out	(620,000)	-	-	(620,000)
Impact fees	47,037	-	-	47,037
Proceeds from bond issuance	-	-	-	-
Bond issuance costs	-	-	-	-
Total other financing sources and uses	<u>(508,963)</u>	<u>158,400</u>	<u>461,600</u>	<u>111,037</u>
Net change in fund balances	<u>(506,264)</u>	<u>19,312</u>	<u>181,585</u>	<u>(305,367)</u>
Fund balances - beginning	<u>1,156,520</u>	<u>37,049</u>	<u>182,714</u>	<u>1,376,283</u>
Fund balances - ending	<u>\$ 650,256</u>	<u>\$ 56,361</u>	<u>\$ 364,299</u>	<u>\$ 1,070,916</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE-
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Net change in fund balances - total governmental funds \$ (305,367)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$907,368 is exceeded by depreciation \$(760,375) during the period. 146,993

The liability for compensated absences is not recorded in the governmental funds, but is reported in the statement of assets. This is the current year change in the liability, reported as expense in the statement of activities. 5,608

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items as follows:

Issuance of refunding bonds	-	
Principal payment of bonds payable	77,000	
Bond issuance costs on new refunding bond	-	
Amortization of refunding bond costs	(2,187)	
Amortization of 2006 bond issue costs	-	
Accrued interest payable	96	
	74,909	74,909

Change in net assets of governmental activities \$ (77,857)

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property and fee in lieu	\$ 462,900	\$ 472,900	\$ 478,109	\$ 5,209
Sales	695,100	793,950	795,606	1,656
Energy	380,000	380,000	363,901	(16,099)
Franchise	40,000	40,000	36,752	(3,248)
Licenses and permits	28,500	28,000	27,575	(425)
Intergovernmental	383,600	348,600	354,322	5,722
Charges for services	692,800	727,100	755,917	28,817
Fines	122,000	112,500	104,125	(8,375)
Miscellaneous	53,800	42,000	10,668	(31,332)
Contributions	13,000	16,000	17,593	1,593
Investment earnings	5,000	6,000	5,655	(345)
Total revenues	<u>2,876,700</u>	<u>2,967,050</u>	<u>2,950,223</u>	<u>(16,827)</u>
EXPENDITURES				
Current:				
General government:				
Legislative	36,250	36,250	35,917	333
Judicial	81,400	77,400	76,076	1,324
Administration	250,350	234,550	229,486	5,064
Other general government	59,000	57,400	52,264	5,136
Public safety	498,750	477,300	408,485	68,815
Highways and streets	559,650	579,650	630,594	(50,944)
Sanitation	509,500	513,500	513,715	(215)
Planning, zoning and engineering	114,950	96,500	94,544	1,956
Culture, parks and recreation	707,800	684,050	675,103	8,947
Shop	44,050	40,000	35,886	4,114
Senior citizens	77,050	83,550	79,958	3,592
Cemetery	68,800	63,800	60,992	2,808
Community progress	27,500	55,500	54,504	996
Total expenditures	<u>3,035,050</u>	<u>2,999,450</u>	<u>2,947,524</u>	<u>51,926</u>
Excess of revenues over expenditures	<u>(158,350)</u>	<u>(32,400)</u>	<u>2,699</u>	<u>35,099</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	250,000	-	64,000	64,000
Transfers out	(402,000)	(402,000)	(620,000)	(218,000)
Proceeds from sale of fixed assets	-	-	-	-
Impact fees	57,000	43,300	47,037	3,737
Total other financing sources and uses	<u>(95,000)</u>	<u>(358,700)</u>	<u>(508,963)</u>	<u>(150,263)</u>
Net change in fund balances	<u>(253,350)</u>	<u>(391,100)</u>	<u>(506,264)</u>	<u>(115,164)</u>
Fund balances - beginning	<u>1,156,520</u>	<u>1,156,520</u>	<u>1,156,520</u>	<u>-</u>
Fund balances - ending	<u>\$ 903,170</u>	<u>\$ 765,420</u>	<u>\$ 650,256</u>	<u>\$ (115,164)</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Major Enterprise Funds				Non-Major Fund	Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	Storm Water Fund	
ASSETS						
Cash and cash equivalents	\$ 790,632	\$ 793,951	\$ 3,638,897	\$ 648,198	\$ 172,848	\$ 6,044,526
Investments	-	-	-	-	-	-
Receivables:						
Accounts	104,989	165,929	619,289	39,769	7,480	937,456
Due from other funds	-	-	-	-	-	-
Inventory	24,830	-	310,596	1,083	-	336,509
Prepaid expenses	2,250	3,000	-	-	-	5,250
Total current assets	<u>922,701</u>	<u>962,880</u>	<u>4,568,782</u>	<u>689,050</u>	<u>180,328</u>	<u>7,323,741</u>
Noncurrent assets:						
Restricted cash and cash equivalents:						
Revenue bond construction accounts	-	-	-	-	-	-
Revenue bond covenant accounts	15,100	420,607	-	-	-	435,707
System development	79,971	66,042	-	-	-	146,013
Deferred charges: bond issuance costs	28,600	33,236	-	-	-	61,836
Long term deposits	-	-	-	-	-	-
Capital assets (net of accumulated depreciation):						
Land and easements	23,411	587,938	1,017,706	86,384	-	1,715,439
Water stock and rights	984,731	-	-	1,151,877	-	2,136,608
Buildings	71,482	4,549,580	289,111	-	-	4,910,173
Improvements other than buildings	4,490,022	183,160	1,736,955	2,233,759	181,173	8,825,069
Machinery & equipment	422,404	27,492	311,558	-	74,226	835,680
Payson Electric Entitlement	-	-	101,112	-	-	101,112
Construction in progress	1,885	-	1,446,123	1,142	-	1,449,150
Total noncurrent assets	<u>6,117,606</u>	<u>5,868,055</u>	<u>4,902,565</u>	<u>3,473,162</u>	<u>255,399</u>	<u>20,616,787</u>
Total assets	<u>7,040,307</u>	<u>6,830,935</u>	<u>9,471,347</u>	<u>4,162,212</u>	<u>435,727</u>	<u>27,940,528</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012

	Major Enterprise Funds				Non-Major Fund	Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	Storm Water Fund	
LIABILITIES						
Current liabilities:						
Accounts payable	5,153	12,193	381,747	2,153	5,362	406,608
Due to other funds	-	-	-	-	-	-
Deposits and retainage payable	-	-	174,963	-	-	174,963
Accrued payroll liabilities	-	-	-	-	-	-
Total current liabilities	<u>5,153</u>	<u>12,193</u>	<u>556,710</u>	<u>2,153</u>	<u>5,362</u>	<u>581,571</u>
Current liabilities payable from restricted assets:						
Revenue bonds payable	84,000	261,000	-	-	-	345,000
Accrued interest payable	2,134	25,141	-	-	-	27,275
Total current liabilities payable from restricted assets	<u>86,134</u>	<u>286,141</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>372,275</u>
Noncurrent liabilities:						
Deferred revenue	-	-	-	-	-	-
Compensated absences	62,820	68,962	122,163	4,442	-	258,387
Note payable	-	-	45,000	-	-	45,000
Revenue bonds payable	<u>1,274,000</u>	<u>3,031,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,305,000</u>
Total noncurrent liabilities	<u>1,336,820</u>	<u>3,099,962</u>	<u>167,163</u>	<u>4,442</u>	<u>-</u>	<u>4,608,387</u>
Total liabilities	<u>1,428,107</u>	<u>3,398,296</u>	<u>723,873</u>	<u>6,595</u>	<u>5,362</u>	<u>5,562,233</u>
NET ASSETS						
Invested in capital assets, net of related debt	4,635,935	2,056,170	4,857,565	3,473,162	255,399	15,278,231
Restricted for impact fees	79,972	66,042	-	-	-	146,014
Restricted for debt service	15,099	420,607	-	-	-	435,706
Restricted for construction escrow	-	-	-	-	-	-
Unrestricted	<u>881,194</u>	<u>889,820</u>	<u>3,889,909</u>	<u>682,455</u>	<u>174,966</u>	<u>6,518,344</u>
Total net assets	<u>\$ 5,612,200</u>	<u>\$ 3,432,639</u>	<u>\$ 8,747,474</u>	<u>\$ 4,155,617</u>	<u>\$ 430,365</u>	<u>\$ 22,378,295</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Major Enterprise Funds				Non-Major Fund	Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	Storm Water Fund	
Operating revenues:						
Charges for sales and services	\$ 886,042	\$ 1,235,246	\$ 5,862,604	\$ 265,514	\$ 118,407	\$ 8,367,813
Total operating revenues	886,042	1,235,246	5,862,604	265,514	118,407	8,367,813
Operating expenses:						
Personnel related expenses	233,715	180,321	497,982	32,020	-	944,038
System operating expenses, including power costs	47,131	323,467	4,019,345	100,450	27,005	4,517,398
Repairs and maintenance	91,915	199,838	174,575	17,352	2,628	486,308
Depreciation	356,930	350,642	239,642	210,560	23,170	1,180,944
Total operating expenses	729,691	1,054,268	4,931,544	360,382	52,803	7,128,688
Operating income	156,351	180,978	931,060	(94,868)	65,604	1,239,125
Nonoperating revenues (expenses):						
Impact fees	39,952	26,283	-	13,994	-	80,229
Rent	-	12,758	-	-	-	12,758
Capital grants and contributions	-	-	60,000	-	-	60,000
Investment earnings	5,623	7,632	26,351	4,196	966	44,768
Interest and fiscal charges	(53,670)	(61,756)	-	-	-	(115,426)
Amortization of bond issuance costs	(2,200)	(3,428)	-	-	-	(5,628)
Gain (Loss) on sale of fixed assets	38,748	35,978	-	-	-	74,726
Total nonoperating revenue (expenses)	28,453	17,467	86,351	18,190	966	151,427
Income before contributions and transfers	184,804	198,445	1,017,411	(76,678)	66,570	1,390,552
Transfers in	-	-	-	-	-	-
Transfers out	-	(64,000)	-	-	-	(64,000)
Change in net assets	184,804	134,445	1,017,411	(76,678)	66,570	1,326,552
Total net assets - beginning	5,427,396	3,298,194	7,730,063	4,232,295	363,795	21,051,743
Total net assets - ending	\$ 5,612,200	\$ 3,432,639	\$ 8,747,474	\$ 4,155,617	\$ 430,365	\$ 22,378,295

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Major Enterprise Funds				Non-Major Fund	Total Enterprise Funds
	Water Fund	Sewer Fund	Electric Fund	Irrigation Fund	Storm Water Fund	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 885,205	\$ 1,240,493	\$ 5,812,631	\$ 266,309	\$ 118,905	\$ 8,323,543
Payments to suppliers	(500,028)	(669,466)	(4,167,524)	(122,201)	(26,986)	(5,486,205)
Payments to employees	(237,043)	(206,878)	(511,181)	(31,245)	-	(986,347)
Other receipts	-	-	-	-	-	-
Other payments	-	-	-	-	-	-
Net cash provided by operating activities	148,134	364,149	1,133,926	112,863	91,919	1,850,991
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Short-term loan (to) from other funds	(321,698)	-	321,698	-	-	-
Transfer out to other funds	-	(64,000)	-	-	-	(64,000)
Net cash (used) by noncapital financing activities	(321,698)	(64,000)	321,698	-	-	(64,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(670,241)	(561,527)	(326,906)	(29,038)	(59,742)	(1,647,454)
Grants for capital assets	-	-	60,000	-	-	60,000
Receipts from property rental	-	12,758	-	-	-	12,758
Receipts from impact fees	39,952	26,283	-	13,994	-	80,229
Proceeds from sale of equipment	75,000	64,000	-	-	-	139,000
Bond issuance costs	-	-	-	-	-	-
Proceeds from issuance of note payable	-	-	90,000	-	-	90,000
Payment on bonds payable and note payable	(80,000)	(257,000)	(45,000)	-	-	(382,000)
Interest paid on bonds and note	(53,671)	(56,936)	-	-	-	(110,607)
Net cash provided (used) from capital and related financing activities	(688,960)	(772,422)	(221,906)	(15,044)	(59,742)	(1,758,074)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of investments	-	-	-	-	-	-
Interest received	5,623	7,632	26,351	4,196	966	44,768
Net cash provided (used) from investing activities	5,623	7,632	26,351	4,196	966	44,768
Net increase (decrease) in cash and cash equivalents	(856,901)	(464,641)	1,260,069	102,015	33,143	73,685
Cash and cash equivalents beginning of year	1,742,604	1,745,241	2,378,828	546,183	139,705	6,552,561
Cash and cash equivalents end of year	\$ 885,703	\$ 1,280,600	\$ 3,638,897	\$ 648,198	\$ 172,848	\$ 6,626,246
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:						
Operating income	\$ 156,351	\$ 180,978	\$ 931,060	\$ (94,868)	\$ 65,604	\$ 1,239,125
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation and amortization expense	356,930	350,642	239,642	210,560	23,170	1,180,944
Change in assets and liabilities:						
Accounts receivable	(837)	5,247	(49,973)	795	498	(44,270)
Inventory	3,753	-	32,845	252	-	36,850
Prepaid expenses	-	-	-	-	-	-
Accounts payable	(364,735)	(146,161)	(23,215)	(4,651)	2,647	(536,115)
Deposits and retainage payable	-	-	16,766	-	-	16,766
Deferred revenue	-	-	-	-	-	-
Compensated absences	(3,328)	(26,557)	(13,199)	775	-	(42,309)
Net cash provided by (used in) operating activities	\$ 148,134	\$ 364,149	\$ 1,133,926	\$ 112,863	\$ 91,919	\$ 1,850,991

The accompanying notes are an integral part of these financial statements.

HYRUM CITY CORPORATION
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUSTICE COURT AGENCY FUND
JUNE 30, 2012

ASSETS

Cash and cash equivalents	\$ 15,436
Fines receivable	<u>42,488</u>
Total assets	<u>\$ 57,924</u>

LIABILITIES

Due to other governments	<u>\$ 57,924</u>
Total liabilities	<u>\$ 57,924</u>

The notes to the financial statements are an integral part of this statement.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City operates under a Mayor-Council form of government and provides the following services: public safety, highways and streets, water, sewer, electric, irrigation, storm drain, sanitation, culture, parks, recreation, public improvements, planning and zoning, and general administrative services.

The financial statements of Hyrum City Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

The City applies the criteria of GASB codification section 1200 to define the scope of the reporting entity. Consideration is given to various factors, including oversight and financial responsibility. Based upon the application of this criteria, the financial statements include all funds which collectively are referred to as the financial reporting entity of the City. As required by generally accepted accounting principles (GAAP), these financial statements present Hyrum City Corporation (referred to as the "primary government" for reporting purposes) and its "component unit" (separate legal entity for which the City is considered to be the financial beneficiary).

Discretely presented component units. Hyrum Library and Museum Foundation provides fundraising and other efforts toward the payment of bonds for construction of a new library and museum. The Foundation does not issue separate financial statements, therefore, no financial accountability to other entities is made by the Foundation.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-wide and Fund Financial Statements (continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the function program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with the distinct function activity. Program revenues include 1) charges for services that report fees, rent, and other charges to users of the City's services; 2) operating grants and contributions that finance annual operating activities; and 3) capital grants and contributions that fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program users. Taxes and other revenue sources not properly included with program revenues are reported as general revenues. Administrative overhead charges are included in direct expenses.

Fund Financial Statements. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The remaining governmental fund is combined into a single column and reported as an other (nonmajor) fund.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Government-wide Financial Statements. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental Fund Financial Statements. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means that amounts can be reasonably determined within the current period. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Property taxes are recorded when levied. Property taxes which have not been collected within 60 days of year end, and therefore do not meet the "available" criterion, are not reported as revenue but are included in taxes receivable and deferred revenue. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Sales and excise taxes, energy taxes, and franchise taxes, are considered "measurable" and recognized as revenue when received by merchants and will be remitted to the City in time to be used to pay current obligations. Grant revenue is recognized when qualified expenditures are incurred and a contractual claim exists with the grantor agency. All other revenue items are considered to be measurable and available only when cash is received by the City.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on long-term debt as well as expenditures related to compensated absences, which are recognized when payment is due.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The City reports the following major governmental funds:

General Fund—The General Fund accounts for all activities not accounted for by other funds of the City. The principal sources of revenue for this fund are taxes, charges for services, intergovernmental revenues and impact fees.

Debt Service Fund—The Debt Service Fund is used to account for financial resources to be used for the payment of debt service expenditures related to the Library sales tax revenue bonds.

The City's nonmajor governmental funds are the Special Revenue Library Fund and the Capital Project Fund. The nonmajor special revenue fund accounts for specific revenue sources that are restricted to expenditures for specified library purposes and the Capital Project Fund accounts for specific revenue sources that are restricted to expenditures for capital items in the funds other than the proprietary type funds.

Proprietary Fund Financial Statements. Proprietary Funds include enterprise funds. Enterprise Funds report the activities for which a fee is charged to external users for goods or services. The financial statements of the proprietary funds are reported similar to the government-wide financial statements in that they both use the economic resources measurement focus and the accrual basis of accounting.

Proprietary Funds distinguish between operating and nonoperating revenues and expenses. Operating revenues and expenses result from providing goods and services relating to the primary operations of the proprietary fund. Other revenues and expenses are reported as nonoperating.

The City reported the following major proprietary funds:

Water Fund—The Water Fund is used to account for activity related to providing culinary water services.

Sewer Fund—The Sewer Fund is used to account for activity related to providing sewer services.

Electric Fund—The Electric Fund is used to account for activity related to providing electric services.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Irrigation Fund—The Irrigation Fund is used to account for activity related to providing pressurized irrigation services.

The City's nonmajor proprietary fund is the Storm Water Fund. This nonmajor fund is used to account for activity related to providing storm water services.

Fiduciary Fund Financial Statements. The City has only one type of fiduciary fund. The Justice Court Agency Fund is used to account for assets held by the City justice court as an agent for other governments or individuals. Agency Funds are accounted for using accrual basis of accounting, but due to their custodial nature (assets equal liabilities), do not present results of operations or have a measurement focus.

D. Budgets

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year-end. Budgets are presented on the modified accrual basis of accounting for governmental funds. Budgets are not adopted on a City level for the Hyrum Library and Museum Foundation, which is presented as a discretely presented component unit in the financial statements.

The City operates within the budget requirements for Cities as specified by State law. The financial reports reflect the following budgetary standards.

1. By the first regular scheduled council meeting in May, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. By June 15, the budget is legally enacted through passage of an ordinance. Once adopted, the budget can be amended by subsequent City Council action. Reductions in appropriations can be approved by the City Council, but increased appropriations in the governmental funds require a public hearing prior to amending the budget. Budgets may be increased provided that notice of such action is published seven days before the meeting. The budgetary information presented includes the original budget and final amended budget.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

4. The Mayor is authorized to transfer budgeted amounts within departments within the General Fund; however, any transfer of budgeted amounts between departments within the General Fund must be approved by the City Council. The City must hold a public hearing to alter the total expenditures of the General Fund.
5. As determined by State law, the level for which expenditures may not legally exceed appropriations is determined at the department level for the General Fund and at the total budget for all other funds.
6. Negative variances in total revenues and positive variances in total expenditures are largely a result of federal and state program revenues and related expenditures that do not have a direct impact on fund balance. Budgets generally assume expenditure of all available resources. Therefore, when the budget is prepared, it is assumed that these funds will not have a carryover or revenue to a subsequent year. Some program revenues received, but not spent, are restricted and deferred to the subsequent fiscal year.
7. Budgeted amounts are as originally adopted and as amended by the City Council prior to June 30. Minor interim adjustments in estimated revenue and appropriated expenditures/expenses during the year have been included in the final budget approved by the City Council, as presented in the financial statements.

E. Cash and Cash Equivalents

Unrestricted cash balances of all funds are combined to form a pool of cash and investments which is managed by the City Treasurer and City Administrator in accordance with the Utah Money Management Act. Income from the investment of pooled cash is allocated based upon each fund's portion of the pool. Restricted cash consists of that portion of pooled cash that is restricted for a specific use due to constraints imposed by external parties or enabling legislation, or is cash held in trust in compliance with bond covenants, terms and conditions. When both restricted and unrestricted sources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Cash and Cash Equivalents (continued)

Investments are recorded at fair value based upon quoted market prices as of year-end, except where there is no material difference between cost and fair value. The difference between the purchase price and market price when material is recorded as investment income.

Statements of cash flows are presented for proprietary funds under the direct method. For purposes of the statements of cash flows, each fund considers all highly liquid investments with a maturity of three months or less, when purchased, to be cash equivalents.

F. Interfund Transactions

Interfund transactions represent transactions between different funds within the City. In general, interfund activity has been eliminated from the government-wide financial statements in an effort to minimize the doubling-up of revenues and expenses resulting from such transactions.

G. Private-sector Standards of Accounting and Financial Reporting

The City generally applies to both the government-wide and proprietary fund statements all *Financial Accounting Standards Board (FASB)* Statements and Interpretations, APB Opinions, and Accounting Research bulletins issued on or before November 30, 1989, to the extent that those standards do not conflict with or contradict guidance of the *Government Accounting Standards Board (GASB)*. The City has elected not to follow private-sector guidance subsequent to that date.

H. Capital Assets

Capital Assets include land, buildings, improvements other than buildings, machinery and equipment, infrastructure (roads, bridges, lighting and sidewalks) construction in progress. These assets are reported in the government-wide financial statements in the relevant column on the Statement of Net Assets under governmental or business-type activities. Proprietary fund capital assets are also reported in the appropriate fund statements. Capital assets acquired by governmental funds are recorded as expenditures in the governmental fund financial statements. The capitalization threshold for personal property is defined to be assets with a useful life of at least one year and costing at least \$5,000; real property thresholds vary by types of asset, but are generally established at the same amount. Assets purchased or constructed are generally recorded at cost. If precise cost is not available (as was the case with certain infrastructure), the asset is recorded at estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Capital Assets (continued)

When constructing capital assets, interest expense incurred relating to governmental activities is not capitalized. Interest on assets being readied for service in proprietary funds may be capitalized. No interest was capitalized during the year.

Depreciation of all exhaustible capital assets is charged as an expense against operations for proprietary funds and is charged to the various functional expenses or business-type activities in the government-wide Statement of Activities. Accumulated depreciation is reported on proprietary fund and government-wide Statements of Net Assets. Depreciation is provided over the estimated useful lives using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 years
Improvements	5-40 years
Machinery and equipment	5-20 years
Vehicles	5-10 years
Infrastructure	20-40 years

I. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. The City pays 100% of these benefits to eligible employees upon termination or retirement. An estimate of the liability related to these benefits is accrued when incurred in government-wide financial statements and proprietary funds and reported as a liability. A liability for these amounts is reported in the governmental funds only if benefits have matured as a result of employee resignations and retirements.

J. Long-term Liabilities

In the government-wide financial statements and proprietary fund statements, long-term debt is reported as a liability. Bond premiums and discounts, defeasance costs, (the difference between the carrying amount of the defeased debt and its reacquisition price in bond refundings), as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Long-term Liabilities (continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

K. Net Assets/Fund Balances

The difference between assets and liabilities is “Net Assets” on the government-wide and proprietary fund financial statements and “Fund Balance” on the governmental fund financial statements. Net assets are divided into invested in capital assets (net of related debt), restricted, and unrestricted. Net assets are reported as restricted when constraints are placed upon them by external parties or are imposed by constitutional provisions or enabling legislation.

In the governmental fund financial statements, fund balances are classified as restricted, committed, assigned or unassigned. Restrictions represent those portions of fund balance not appropriable for expenditure or legally segregated for a specific future use. Committed or assigned fund balances represent tentative plans for future use of financial resources.

Non-spendable—This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted—This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed—This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Net Assets/Fund Balances (continued)

Assigned—This classification includes amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted or committed. This intent can be expressed by the City Council or the City Administrator. No other body or official has the authority to constrain such amounts. This classification also includes the remaining positive fund balance for all governmental funds except for the General Fund.

Unassigned—This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance for any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

L. Property Taxes

The property tax revenue of the City is collected and distributed by the Cache County Treasurer as an agent for the City. Utah statutes establish the process by which taxes are levied and collected. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on June 15 and are due November 30. Property tax revenue received by the City includes uncollected taxes (including delinquencies and accrued interest and penalties). It is expected that delinquent property taxes will be collected within a five year period, after which time, the County Treasurer may force sale of property to collect the delinquent portion. These property tax revenues are not recognized when levied because they are not expected to be collected within 60 days after the end of the current year. The property taxes levied for 2012 have been included in the taxes receivable and deferred revenue accounts.

An annual uniform fee based on the age of motor vehicles is levied in lieu of ad valorem tax (property tax) on motor vehicles that is due each time a vehicle is registered. Revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in which the motor vehicle is located in the same proportion in which revenue from ad valorem property tax is distributed. The City recognizes motor vehicle fees as property tax revenue when collected by the county.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

N. Inventories and Prepaid Items

Inventories are stated at the lower of cost or market, determined on a first-in, first-out basis. Inventories are accounted for under the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are included as prepaid items in both the government-wide and fund financial statements.

NOTE 2. RECEIVABLES

Receivables at June 30, 2012, consist of the following:

	<u>Taxes</u>	<u>Intergovernmental</u>	<u>Accounts</u>	<u>Total</u>
Governmental activities:				
General Fund receivables	\$ 406,425	\$ 49,849	\$ 143,420	\$ 599,694
General Fund bad debt reserve	-	-	(874)	(874)
Library Fund receivables	-	-	-	-
Total receivables	<u>\$ 406,425</u>	<u>\$ 49,849</u>	<u>\$ 142,546</u>	<u>\$ 598,820</u>
Business-type activities:				
Water Fund	\$ -	\$ -	\$ 106,059	\$ 106,059
Sewer Fund	-	-	166,788	166,788
Electric Fund	-	-	625,759	625,759
Irrigation Fund	-	-	40,149	40,149
Storm Water Fund	-	-	7,547	7,547
Less: bad debt reserve	-	-	(8,846)	(8,846)
Total receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 937,456</u>	<u>\$ 937,456</u>

The bad debt reserve for the business-type activities is as follows: Water Fund \$1,070, Sewer Fund \$859, Electric Fund \$6,470, Irrigation Fund \$380 and the Storm Drain Fund is \$67.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and easements	\$ 912,194	\$ -	\$ -	\$ 912,194
Construction in progress	188,619	312,701	-	501,320
Total capital assets not being depreciated	1,100,813	312,701	-	1,413,514
Capital assets being depreciated:				
Buildings	6,133,153	-	-	6,133,153
Improvements	1,565,654	151,605	-	1,717,259
Machinery and equipment	2,214,119	129,722	-	2,343,841
Infrastructure	7,675,400	313,340	-	7,988,740
Total capital assets being depreciated	17,588,326	594,667	-	18,182,993
Less accumulated depreciation				
Buildings	(2,523,885)	(242,633)	-	(2,766,518)
Improvements	(1,086,766)	(59,328)	-	(1,146,094)
Machinery and equipment	(1,515,274)	(132,831)	-	(1,648,105)
Infrastructure	(3,675,441)	(325,583)	-	(4,001,024)
Total accumulated depreciation	(8,801,366)	(760,375)	-	(9,561,741)
Total capital assets being depreciated, net	8,786,960	(165,708)	-	8,621,252
Governmental activity capital assets, net	\$ 9,887,773	\$ 146,993	\$ -	\$ 10,034,766
Business-type activities:				
Capital assets not being depreciated:				
Land and easements	\$ 1,715,438	\$ -	\$ -	\$ 1,715,438
Water stock and rights	2,136,608	-	-	2,136,608
Payson Project electric entitlement	101,112	-	-	101,112
Construction in progress	3,636,017	95,555	(2,282,422)	1,449,150
Total assets not being depreciated	7,589,175	95,555	(2,282,422)	5,402,308
Capital assets being depreciated:				
Buildings	8,149,235	1,192,731	-	9,341,966
Improvements	21,297,949	2,402,772	-	23,700,721
Machinery and equipment	2,390,218	238,817	(174,323)	2,454,712
Total capital assets being depreciated	31,837,402	3,834,320	(174,323)	35,497,399
Less accumulated depreciation				
Buildings	(4,103,954)	(327,839)	-	(4,431,793)
Improvements	(14,199,730)	(675,922)	-	(14,875,652)
Machinery and equipment	(1,551,898)	(177,183)	110,048	(1,619,033)
Total accumulated depreciation	(19,855,582)	(1,180,944)	110,048	(20,926,478)
Total capital assets being depreciated, net	11,981,820	2,653,376	(64,275)	14,570,921
Business-type capital assets, net	\$ 19,570,995	\$ 2,748,931	\$ (2,346,697)	\$ 19,973,229

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 3. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
Administration	\$ 67,809
Culture, parks and recreation	320,060
Highways and streets	340,259
Cemetery	6,584
Public safety	6,311
Senior citizens	19,352
Total depreciation expense - governmental activities	<u>\$ 760,375</u>
Business-type activities:	
Water	\$ 356,930
Sewer	350,643
Electric	239,641
Irrigation	210,560
Storm Water	23,170
Total depreciation expense - business-type activities	<u>\$ 1,180,944</u>

NOTE 4. RETIREMENT PLANS

Plan Description. The City contributes to the Local Government Contributory Tier 2 and the Local Government Noncontributory Retirement System cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Tier 2 and the Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. In the Local Governmental Contributory Tier 2 Retirement System, the City is required to contribute 10.33% of the employees' eligible salary. In the Local Governmental Noncontributory Retirement System, the City is required to contribute

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 4. RETIREMENT PLANS (continued)

Funding Policy. (continued)

13.77% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Contributory Tier 2 for June 30, 2012, 2011, and 2010, were \$317, \$0 and \$0. The City contributions to the Noncontributory Retirement System for June 30, 2012, 2011, and 2010 were \$170,361, \$162,106, and \$138,767 respectively.

The City also sponsors 401(k) and 457 deferred compensation arrangements through the Utah State Retirement System for all eligible employees, as well as a Roth IRA plan. In the 401(k) plan, the City contributed \$27,688 during the year ended June 30, 2012, and the employees contributed \$29,533. In the 457 plan, the employees contributed \$500; in the Roth IRA plan, the employees contributed \$750 for the year ended June 30, 2012.

NOTE 5. LONG-TERM AND SHORT-TERM OBLIGATIONS

The City has the following long-term obligations at June 30, 2012:

In 2004, the City issued \$4,220,000 in Taxable Sewer Revenue Bonds, Series 2003, to finance the construction of a sewer system treatment plant. The bonds are to be repaid from sewer sales from the sewer utility fund. The bonds mature February 1, 2024, with annual payments varying from \$187,000-\$237,000, including interest at a rate of 0%. In order for the City to receive the funds from the State of Utah Water Quality Board it was necessary to enter into an agreement requiring a hardship assessment of 1.3% of the annual outstanding balance. The following is a debt schedule over the period of the bonds.

Year	Principal	Hardship Assessment	Total
2013	\$ 206,000	\$ 34,593	\$ 240,593
2014	209,000	31,915	240,915
2015	212,000	29,198	241,198
2016	215,000	26,442	241,442
2017	217,000	23,647	240,647
2018-2022	1,130,000	75,140	1,205,140
2023-2024	472,000	9,217	481,217
	<u>\$ 2,661,000</u>	<u>\$ 230,152</u>	<u>\$ 2,891,152</u>

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5. LONG-TERM AND SHORT-TERM OBLIGATIONS (continued)

On March 24, 2011, the City issued \$684,000 in Sewer Water Reuse Facility Revenue Bonds, Series 2011, to finance the construction of a sewer water recycle and reuse plant. The bonds are to be repaid from sewer sales from the sewer utility fund. The bonds mature January 1, 2021, with annual payments varying from \$70,894-\$90,992, including interest at a rate of 3.4%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2013	\$ 55,000	\$ 21,454	\$ 76,454	3.40%
2014	57,000	19,584	76,584	3.40%
2015	59,000	17,646	76,646	3.40%
2016	61,000	15,640	76,640	3.40%
2017	63,000	13,566	76,566	3.40%
2018-2021	336,000	29,036	365,036	3.40%
	<u>\$ 631,000</u>	<u>\$ 116,926</u>	<u>\$ 747,926</u>	

On October 26, 2010, the City issued \$1,535,000 in Water Revenue Bonds, Series 2010, to finance the construction of a 2 million gallon water storage tank. The bonds are to be repaid from water sales from the water utility fund. The bonds mature June 15, 2025, with annual payments of approximately \$132,556, including interest at a rate of 3.56%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2013	\$ 84,000	\$ 48,344	\$ 132,344	3.56%
2014	87,000	45,354	132,354	3.56%
2015	90,000	42,257	132,257	3.56%
2016	93,000	39,053	132,053	3.56%
2017	97,000	35,742	132,742	3.56%
2018-2022	537,000	124,529	661,529	3.56%
2023-2025	370,000	26,664	396,664	3.56%
	<u>\$ 1,358,000</u>	<u>\$ 361,943</u>	<u>\$ 1,719,943</u>	

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 5. LONG-TERM AND SHORT-TERM OBLIGATIONS (continued)

On June 20, 2006, the City issued \$2,000,000 in Sales Tax Revenue Bonds, Series 2006, to finance the construction of a new library facility. The bonds are to be repaid from sales tax revenue or private contributions from the Hyrum Library and Museum Foundation. The 2006 bonds were refunded in 2011 with the issuance of \$1,608,000 in Sales Tax Revenue Refunding Bonds dated July 9, 2010. The proceeds from the sale of the 2011 bonds along with amounts in debt service reserve accounts were used to fully refund the outstanding 2006 bonds. The refunding bonds mature June 15, 2026, with annual payments of \$137,500, including interest at rates from 2.99% to 4.86%. The following is a debt schedule over the period of the bonds.

Year	Principal	Interest	Total	Interest Rate
2013	\$ 80,000	\$ 58,156	\$ 138,156	3.30%
2014	82,000	55,516	137,516	3.59%
2015	85,000	52,572	137,572	3.84%
2016	88,000	49,308	137,308	4.05%
2017	92,000	45,744	137,744	4.21%
2018-2022	523,000	163,961	686,961	3.84-4.44%
2023-2026	502,000	49,153	551,153	3.84%
	<u>\$ 1,452,000</u>	<u>\$ 474,410</u>	<u>\$ 1,926,410</u>	

The City has an obligation for compensated absences that arises from the accrual of unused vacation and sick time provided for eligible employees.

Transactions affecting long-term obligations are as follows:

			Obligations for Compensated		
		Bonds Payable	Absences	Total	
Governmental Type Activities:					
Balance, July 1	\$	1,529,000	\$ 230,779	\$	1,759,779
Additions		-	44,420		44,420
Retirements		(77,000)	(50,028)		(127,028)
Balance, June 30	\$	1,452,000	\$ 225,171	\$	1,677,171
Due within 1 year	\$	80,000	\$ -	\$	80,000

			Obligations for Compensated		
	Note Payable	Bonds Payable	Absences	Total	
Business-type activities:					
Balance, July 1	\$ -	\$ 4,988,000	\$ 300,696	\$	5,288,696
Additions	90,000	-	58,898		148,898
Retirements	(45,000)	(338,000)	(101,206)		(484,206)
Balance, June 30	\$ 45,000	\$ 4,650,000	\$ 258,388	\$	4,953,388
Due within 1 year	\$ 45,000	\$ 345,000	\$ -	\$	390,000

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 6. SHORT-TERM DEBT

The City had no short-term debt during the year ended June 30, 2012.

NOTE 7. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The City had the following departments and funds with expenditures in excess of appropriations for the year ended June 30, 2012.

The City had the following departments and funds with expenditures in excess of appropriations for the year ended June 30, 2012.

	Budget	Actual	Excess
General Fund:			
First Responders	\$ 30,000	\$ 30,055	\$ (55)
Roads	\$ 579,650	\$ 630,594	\$ (50,944)
Solid Waste Collection	\$ 513,500	\$ 513,715	\$ (215)
Library	\$ 249,700	\$ 267,400	\$ (17,700)

There were no fund balance/net asset deficits at June 30, 2012.

NOTE 8. CASH AND INVESTMENTS

The City maintains a Deposit and Investment Pool that is available for use by all funds of the City. Each fund type's portion of this pool is disclosed on the governmental funds balance sheet as cash and cash equivalents and restricted cash and cash equivalents. There are also debt service reserve accounts that are included in the restricted cash and cash equivalents on the balance sheet.

The City complies with the Utah Money Management Act (Utah Code Section 51, Chapter 7) and related Rules of the Money Management Council (Council) in handling its depository and investing transactions. City funds are deposited in qualified depositories as defined in the Act. The Act also authorizes the City to invest in the Utah Public Treasurer's Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker's acceptances, repurchase agreements, corporate bonds, money market funds and obligations of governmental agencies within the State of Utah. The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The City considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8. CASH AND INVESTMENTS (continued)

Deposits

At June 30, 2012, the carrying amount of the City deposits was \$324,487 and the bank balance was \$512,877. Of the bank balance, \$512,877 was covered by federal depository insurance. Deposits are not collateralized nor are they required to be by state statute. However, the State Commissioner of Financial Institutions monitors financial institutions and establishes limits for deposit of public money at individual financial institutions, and the City follows these recommendations. At June 30, 2012, the carrying amount of the Hyrum Library and Museum Foundation deposits was \$30,342 and the bank balance was \$30,342. Of the bank balance, \$30,342 was covered by federal depository insurance.

Investments

The City follows the requirements of the Utah Money Management Act (Utah Code Annotated 1953 Section 51, Chapter 7) in handling its depository and temporary investment transactions. This law requires the deposit of City funds in a "qualified depository". The Act defined a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The City's investment types and balances at June 30, 2012, are noted below.

<u>Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Wells Fargo Bank-repurchase agreement	Daily	Not rated	\$ 632,940
Zions Bank Trust Dept-UPTIF	N/A	Not rated	53,481
Bank of Utah-Advantage Public Fund	N/A	Not rated	2,353,478
Utah Public Treasurer's Investment Fund	N/A	Not rated	<u>4,507,049</u>
Total investments			7,546,948
Deposits-cash in bank			324,487
Deposits-cash in bank-Component Unit			<u>30,342</u>
Total cash and investments			<u>\$ 7,901,777</u>
As reported in the financial statements:			
Cash and cash equivalents-primary			\$ 7,244,229
Cash and cash equivalents-component			30,342
Restricted cash and cash equivalents			611,770
Cash and cash equivalents - Fiduciary Funds			<u>15,436</u>
			<u>\$ 7,901,777</u>

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 8. CASH AND INVESTMENTS (continued)

Investments (continued)

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments do not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all investments in commercial paper to 270 days or less and fixed-income securities to 365 days or less. The City has no investment policy that would further limit its interest rate risk.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's policy for reducing exposure to credit risk is to comply with the Act and other related rules. The Act and other related rules limit investments in commercial paper to a first tier rating of investments in fixed-income to a rating of A or higher as rated by Moody's Investor Service or by Standard and Poor's Corporation. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer. The City's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the City's total portfolio with a single issuer. The City places no other limits on the amount it may invest in any one issuer.

Custodial Credit Risk. For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City's policy for managing this risk is to comply with the Act and related rules. The City places no other limit on the amount of investments to be held by counterparties.

The PTIF is an external deposit and investment pool wherein governmental entities are able to pool the monies from several entities to improve investment efficiency and yield. These monies are invested primarily in money market securities and contain no withdrawal restrictions. As such, the monies invested in this fund are not insured and are subject to the same market risks as any similar investment in money market funds. The Fund investments must comply with the provisions of the Utah Money Management Act. The Fund is not SEC registered and is unrated. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities including certificates of deposit and top rated domestic commercial held by the Utah State Treasurer. The portfolio has a weighted average life of 90 days or less. The fair value of the City's position in the fund is the same as the value of the fund shares.

HYRUM CITY CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

NOTE 9. RECONCILIATION OF INTERFUND BALANCES

The following table provides a reconciliation of all interfund transfers:

Transfer to:		Transfer from:	
Debt Service Fund	\$ 158,400	General Fund	\$ 158,400
Capital Projects Fund	461,600	General Fund	461,600
General Fund	64,000	Sewer Fund	64,000
	<u>\$ 684,000</u>		<u>\$ 684,000</u>

The transfer from the Sewer Fund to the General Fund was the trade in value of equipment transferred to the roads department.

The transfer from the General Fund to the Debt Service Fund was made to provide funding for debt service on the new library. The transfer from the General Fund to the Capital Projects Fund was to provide funding for parks and future projects.

HYRUM CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

HYRUM CITY CORPORATION
MANAGEMENT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	Page
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on State Legal Compliance	3-4
Schedule of Findings, Recommendations and Responses	5-8
Status of Prior Year Findings and Recommendations	9-10

REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Mayor and Members of the City Council
Hyrum City Corporation

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Hyrum City Corporation as of and for the year ended June 30, 2012, which collectively comprise Hyrum City Corporation's basic financial statements and have issued our report thereon dated November 29, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Hyrum City Corporation, is responsible for establishing and maintaining effective internal control over financial report. In planning and performing our audit, we considered Hyrum City Corporation's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hyrum City Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Hyrum City Corporation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, Recommendations and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings, Recommendations and Responses as item 12-01 to be a material weakness.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hyrum City Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement accounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management in the accompanying Schedule of Findings, Recommendations and Responses.

Hyrum City Corporation's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Recommendations and Responses. We did not audit the City's responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wiggins & Co., P.C.

Brigham City, Utah 84302
November 29, 2012



INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

To the Mayor and Members of the City Council
Hyrum City Corporation

We have audited Hyrum City Corporation's compliance with general compliance requirements described in the *State of Utah Legal Compliance Audit Guide* for the year ended June 30, 2012. The general compliance requirements applicable to the City are identified as follows:

Public Debt	Justice Court
Cash Management	B & C Road Funds
Purchasing Requirements	Other General Issues
Budgetary Compliance	Uniform Building Code Standards
Truth in Taxation & Property Tax Limitations	Impact Fees
Liquor Law Enforcement	URS Compliance
Fund Balance	

The City received the following nonmajor grants from the State of Utah:

- B & C Road Funds (Department of Transportation)
- State Liquor Law Enforcement (Department of Public Safety)
- Emergency Services Grant (State of Utah)
- Fire Grant (State of Utah)
- Literacy Grant (State of Utah)

The City did not receive any major State grants during the year ended June 30, 2012.

Compliance with the requirements referred to above is the responsibility of the City's management. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State of Utah Legal Compliance Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on the general compliance requirements identified above. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the city's compliance with these requirements.

In our opinion, Hyrum City Corporation, complied, in all material respects, with the general compliance requirements identified above for the year ended June 30, 2012. However, the results of our audit procedures disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with the *State of Utah Legal Compliance Audit Guide* and which are described in the accompanying Schedule of Findings, Recommendations and Responses as item 12-2.

Management's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Recommendations and Responses. We did not audit management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management of the City, the City Council, Office of the Utah State Auditor, awarding and pass-through entities, and other specified parties as applicable and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Weggen & Co., P.C.

Brigham City, Utah
November 29, 2012

HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

INTERNAL CONTROL OVER FINANCIAL REPORTING

MATERIAL WEAKNESSES

12-1. REVIEW OF JOURNAL ENTRIES AND THE GENERAL LEDGER

Finding:

In our testwork, we found that the journal entries were not independently reviewed by someone other than the preparer or signed by the preparer. Several journal entries were made in error and the supporting documentation did not agree to the account balances being adjusted. In some instances, there was no support accompanying the journal entries. Because journal entries were made incorrectly, several material audit adjustments were necessary in order to correct the records. This is a continuing finding.

As we performed our testwork, we noted that many times the account balances were incorrect. There was no indication that the general ledger had been reviewed by someone other than the preparer. There was also no indication that the preparer had reviewed the account balances in the general ledger after recording the journal entry to ensure the balances were correct.

Recommendation:

We recommend that someone other than the preparer review the journal entries along with the supporting documentation. Both the preparer and the reviewer should sign and date the entries. The preparer should review the account balances in the general ledger after recording the journal entry to ensure that the correct accounts were adjusted. The preparer should also make an effort to ensure that the general ledger is in balance after each journal entry is made. The accounts adjusted should then be reviewed to further check that the adjustment was correct and the account balance agrees to subsidiary records. We also recommend that someone other than the Treasurer review the general ledger on at least a quarterly basis. A second look at the City records is an important factor in the City's internal control over financial reporting.

Response:

The City Administrator and City Treasurer will review, sign and date all journal entries and supporting documentation. Additionally, the City Treasurer will review the account balances in the general ledger after recording the journal entries to ensure the balances are correct.

HYRUM CITY CORPORATION
SCHEDULE OF FINDINGS, RECOMMENDATIONS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

STATE LEGAL COMPLIANCE FINDINGS

12-2. CASH MANAGEMENT

Finding

Utah Code 51-7-15 indicates that every public treasurer shall secure a fidelity bond, based on the previous year's budgeted gross revenues, which includes all funds collected or handled by the public treasurer. We found that the amount of the public treasurer's fidelity bond is not sufficient.

Recommendation:

We recommend that the City take the action necessary to increase the amount of the City's public treasurer's fidelity bond.

Response:

The City Treasurer will call the bonding agency and increase the public treasurer's fidelity bond to the sufficient levels.

**HYRUM CITY CORPORATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012**

INTERNAL CONTROL OVER FINANCIAL REPORTING

MATERIAL WEAKNESSES

11-1. YEAR END ACCRUALS

Finding:

During our audit testwork of accounts payable, we found several invoices of material amounts that were not included in the City's accounts payable at year end. This omission, if not corrected, would have a material effect on the City's financial statements and cause them to be materially misstated.

Recommendation:

We recommend that invoices be reviewed carefully subsequent to year end to see that obligations for the fiscal year end are properly accrued. If possible, these accruals should be anticipated as early as possible

Status:

Partially implemented. See current year findings.

SIGNIFICANT DEFICIENCIES

11-2. REVIEW OF JOURNAL ENTRIES AND THE GENERAL LEDGER

Finding:

In our testwork, we found that the journal entries were not independently reviewed by someone other than the preparer or signed by the preparer. Several journal entries were made in error and the supporting documentation did not agree to the account balances being adjusted. In a few, there was no support accompanying the journal entries. This is a continuing finding.

As we performed our testwork, we noted that many times the account balances were incorrect. There was no indication that the general ledger had been reviewed by someone other than the preparer.

HYRUM CITY CORPORATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

INTERNAL CONTROL OVER FINANCIAL REPORTING

SIGNIFICANT DEFICIENCIES

11-2. REVIEW OF JOURNAL ENTRIES AND THE GENERAL LEDGER (continued)

Recommendation:

We recommend that someone other than the preparer review the journal entries along with the supporting documentation. Both the preparer and the reviewer should sign and date the entries. The accounts adjusted should then be reviewed to further check that the adjustment was correct and the account balance agrees to subsidiary records. We also recommend that someone other than the Treasurer review the general ledger on at least a quarterly basis. A second look at the City records is an important factor in the City's internal control over financial reporting.

Status:

Not implemented. See current year findings.

STATE LEGAL COMPLIANCE FINDINGS

11-3. FUND BALANCE COMPLIANCE

Finding

Utah Code 10-6-116(4) indicates that the maximum fund balance in the general fund may not exceed 18% of the total estimated revenue of the general fund. We found that the final unreserved fund balance in the City's general fund was in excess of 18%. This is a continuing finding.

Recommendation:

We recommend that the City take the action necessary to bring fund balance of the City's general fund into compliance.

Status:

Implemented.

HYRUM CITY CORPORATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

STATE LEGAL COMPLIANCE FINDINGS (continued)

11-4. UNCLAIMED PROPERTY

Finding:

During our audit testwork of the City's checking accounts, we noted that all the accounts had checks that were more than one year old. *Utah Code 67-4a-210 and 301* requires a government entity, holding intangible property for more than one year after the property became payable or distributable, to report and remit the property to the State Treasurer's Office, Division of Unclaimed Property, by November 1 of each year as of the preceding June 30. The City remitted the form, but did not include any of the above-mentioned payments.

Recommendation:

We recommend that the City review their bank reconciliations for the stale dated checks. They should research whether replacement payments were issued, or whether the amount is still outstanding. If the amounts are still owed, the City should remit them to the Utah State Treasurer as required by statute

Status:

Implemented

11-5. BUDGETARY COMPLIANCE

Finding:

Utah Statute states that officers and employees of the entity shall not incur expenditures or encumbrances in excess of the total appropriation for any department or fund. We noted that following departments/funds that were in excess of budgeted amounts:

General fund departments:

Judicial

Administration

Other general government

Culture, parks and recreation

Community progress

Debt Service fund

HYRUM CITY CORPORATION
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2012

11-5. BUDGETERY COMPLIANCE (continued)

Recommendation:

We recommend that the City monitor the budgets that have been approved and review the monthly reports carefully so that, as actual results approach appropriated amounts, department heads will be warned and, if necessary, adjustments can be approved by the City Council prior to year end.

Status:

Implemented.